

**SANDS TOWNSHIP**  
**MARQUETTE COUNTY, MICHIGAN**  
52-1140  
**FINANCIAL STATEMENTS**  
**AND**  
**ADDITIONAL INFORMATION**  
**FOR THE YEAR ENDED MARCH 31, 2004**

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Sands Township</b>	County <b>Marquette</b>
Audit Date <b>March 31, 2004</b>	Opinion Date <b>July 1, 2004</b>	Date Accountant Report Submitted to State: <b>August, 2004</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

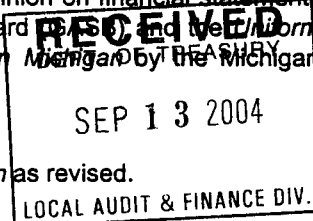
You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) <b>Cowell + LaPointe, PC</b>			
Street Address <b>101 S. Front St., Ste. 309</b>	City <b>Marquette</b>	State <b>MI</b>	ZIP <b>49855</b>
Accountant Signature <b>Sharon J. LaPointe</b>			



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Board of Trustees  
Sands Township  
Marquette County, Michigan

## **INDEPENDENT AUDITOR'S REPORT**

We have audited the financial statements of Sands Township, and the combining, individual fund, and account group financial statements of the Township as of and for the year ended March 31, 2004 as listed in the table of contents. These financial statements are the responsibility of the Township's Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The township did not maintain a record of its general fixed assets prior to April 1, 1983 but has maintained a record of its fixed assets acquired subsequent to that date. This does not comply with generally accepted accounting principles; however, this departure has an immaterial effect on the financial statements.

In our opinion, except for the effects of the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Sands Township, as of March 31, 2004 and the results of its operations and the cash flows of its nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the combining, individual fund, and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of Sands Township as of March 31, 2004 and the results of operation of such funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2004, on our consideration of Sands Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

## INDEPENDENT AUDITOR'S REPORT – Continued

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole and on the combining, individual fund, and account group financial statements. The accompanying financial information listed as additional information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Sands Township. Such information has been subjected to the auditing procedures applied in the audit of the combining, individual fund, and account group financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds and account groups, taken as a whole.

*Coull & LaPointe PC*  
Certified Public Accountants  
Marquette, Michigan

July 1, 2004

Board of Trustees  
Sands Township  
Marquette County, Michigan

We have audited the financial statements of Sands Township as of and for the year ended March 31, 2004, and have issued our report thereon dated July 1, 2004 which was qualified for the omission of general fixed assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### COMPLIANCE

As part of obtaining reasonable assurance about whether Sands Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of Sands Township in a separate letter dated July 1, 2004.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Sands Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Sands Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition follows:

- The limited staff of the Township does not permit adequate segregation of duties.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL – Continued

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of Sands Township dated July 1, 2004.

This report is intended for the information of Sands Township, the cognizant audit agencies, and other state and federal audit agencies. However, this report is a matter of public record and its distribution is not limited.

*Cowell & Laporte PC*  
Certified Public Accountants  
Marquette, Michigan

July 1, 2004

# SANDS TOWNSHIP

## COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS MARCH 31, 2004

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
<b>ASSETS</b>			
Cash	\$215,740	\$370,097	\$1,390
Certificates of deposit	452,822	182,659	
Taxes receivable	8,274	12,731	
Accounts receivable	6,061	769	
Interfund receivables	1,385	2,500	
Due from other governmental units	22,596		
Investment – deferred compensation			
Fixed assets			
Amount to be provided for the retirement of general long-term debt	<u>          .</u>	<u>          .</u>	<u>          .</u>
<b>TOTAL ASSETS</b>	<b><u>\$706,878</u></b>	<b><u>\$568,756</u></b>	<b><u>\$1,390</u></b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 7,583	\$ 35,345	\$
Interfund payables			
Deferred revenue	6	10	
Long-term obligations	<u>          .</u>	<u>          .</u>	<u>          .</u>
<b>TOTAL LIABILITIES</b>	<b>7,589</b>	<b>35,355</b>	
<b>FUND EQUITY</b>			
Investment in general fixed assets			
Fund balances			
Reserved for:			
Fire fund		84,219	
Cemetery fund		45,242	
Ambulance fund		144,725	
Road fund		259,215	
Unreserved:			
Undesignated	699,289		
Designated for capital projects			1,390
Designated for deferred comp			
Trust and Agency			
- Expendable			
- Nonexpendable	<u>          .</u>	<u>          .</u>	<u>          .</u>
<b>TOTAL FUND EQUITY</b>	<b><u>699,289</u></b>	<b><u>533,401</u></b>	<b><u>1,390</u></b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$706,878</u></b>	<b><u>\$568,756</u></b>	<b><u>\$1,390</u></b>
See accompanying notes to financial statements			



Fiduciary Funds				Account Groups		Total All Funds – Memo Only
<u>Trust &amp; Agency</u>	<u>Tax Collection</u>	<u>Employees 457 Def. Comp.</u>	<u>Cemetery Perpetual Care</u>	<u>General Long-term Debt</u>	<u>General Fixed Assets</u>	
\$192	\$1,385	\$	\$3,858	\$	\$	\$ 592,662 635,481 21,005 6,830 3,885 22,596 57,310 1,784,831
		57,310			1,784,830	
<u>—.</u>	<u>—.</u>	<u>—.</u>	<u>—.</u>	<u>32,841</u>	<u>—.</u>	<u>32,841</u>
<u>\$192</u>	<u>\$1,385</u>	<u>\$57,310</u>	<u>\$3,858</u>	<u>\$32,841</u>	<u>\$1,784,830</u>	<u>\$3,157,440</u>
\$192	\$ 1,385	\$	\$ 2,500	\$	\$	\$ 43,120 3,885 16
<u>—.</u>	<u>—.</u>	<u>—.</u>	<u>—.</u>	<u>32,841</u>	<u>—.</u>	<u>32,841</u>
192	1,385		2,500	32,841		79,862
					1,784,830	1,784,830
						84,219 45,242 144,725 259,215
		57,310				699,289 1,390 57,310
<u>—.</u>	<u>—.</u>	<u>—.</u>	<u>688 670</u>	<u>—.</u>	<u>—.</u>	<u>688 670</u>
<u>—.</u>	<u>—.</u>	<u>57,310</u>	<u>1,358</u>	<u>—.</u>	<u>1,784,830</u>	<u>3,077,578</u>
<u>\$192</u>	<u>\$1,385</u>	<u>\$57,310</u>	<u>\$3,858</u>	<u>\$32,841</u>	<u>\$1,784,830</u>	<u>\$3,157,440</u>

# SANDS TOWNSHIP

## COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL – ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED MARCH 31, 2004

	General Fund			Special Revenue Funds		
	Actual	Budget	Variance: Favorable <Unfavorable>	Actual	Budget	Variance: Favorable <Unfavorable>
<b>REVENUES</b>						
Taxes	\$111,641	\$ 90,474	\$ 21,167	\$178,894	\$172,546	\$ 6,348
Licenses and permits	3,319	1,500	1,819			
State grants	178,268	195,219	<16,951>			
Contributions from local units	67,954	52,000	15,954			
Charges for services	34,720	20,000	14,720			
Interest	10,428	6,000	4,428	8,028		8,028
Other	6,859	2,410	4,449	1,369	2,500	<1,131>
<b>TOTAL REVENUES</b>	<b>413,189</b>	<b>367,603</b>	<b>45,586</b>	<b>188,291</b>	<b>175,046</b>	<b>13,245</b>
<b>EXPENDITURES</b>						
Legislative	13,955	16,600	2,645			
General government	112,040	146,100	34,060			
Public safety	23,390	30,500	7,110	17,358	38,897	21,539
Public works	101,738	107,500	5,762	34,853		<34,853>
Health and welfare	16,176	17,900	1,724	123		<123>
Culture and recreation	3,805	4,000	195	37,299		<37,299>
Other	33,508	45,003	11,495			
Capital outlay	3,812		<3,812>	3,214	136,149	132,935
<b>TOTAL EXPENDITURES</b>	<b>308,424</b>	<b>367,603</b>	<b>59,179</b>	<b>92,847</b>	<b>175,046</b>	<b>82,199</b>
<b>EXCESS OF REVENUES/&lt;EXPENDITURES&gt;</b>	<b>104,765</b>		<b>104,765</b>	<b>95,444</b>		<b>95,444</b>
<b>OTHER FINANCING SOURCES&lt;USES&gt;</b>						
Operating transfers out	<15,812>		<15,812>	<4,238>		<4,238>
<b>TOTAL OTHER FINANCING&lt;USES&gt;</b>	<b>&lt;15,812&gt;</b>		<b>&lt;15,812&gt;</b>	<b>&lt;4,238&gt;</b>		<b>&lt;4,238&gt;</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER&lt;UNDER&gt; EXPENDITURES AND OTHER USES</b>	<b>88,953</b>	<b>\$</b>	<b>\$ 88,953</b>	<b>91,206</b>	<b>\$</b>	<b>\$ 91,206</b>
<b>FUND BALANCE – APRIL 1, 2003</b>	<b>610,336</b>			<b>442,195</b>		
<b>FUND BALANCE – MARCH 31, 2004</b>	<b>\$699,289</b>			<b>\$533,401</b>		

See accompanying notes to financial statements

# SANDS TOWNSHIP

## COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL – ALL GOVERNMENTAL FUND TYPES – CONTINUED FOR THE YEAR ENDED MARCH 31, 2004

	<u>Capital Projects</u>			<u>Fiduciary Fund Type</u>
	<u>Actual</u>	<u>Budget</u>	Variance: Favorable <Unfavorable>	<u>Expendable Trust</u>
<b>REVENUES</b>				
Interest	\$ 51	\$	\$ 51	\$
Other	<u>          </u>	<u>          </u>	<u>          </u>	<u>12,955</u>
TOTAL REVENUES	51		51	12,955
<b>EXPENDITURES</b>				
Capital outlay	<u>38,488</u>	<u>          </u>	<u>&lt;38,488&gt;</u>	<u>          </u>
TOTAL EXPENDITURES	<u>38,488</u>	<u>          </u>	<u>&lt;38,488&gt;</u>	<u>          </u>
<b>EXCESS OF REVENUES/&lt;EXPENDITURES&gt;</b>	<38,437>		<38,437>	12,955
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	<u>20,000</u>	<u>          </u>	<u>20,000</u>	<u>          </u>
TOTAL OTHER FINANCING SOURCES	<u>20,000</u>	<u>          </u>	<u>20,000</u>	<u>          </u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER/&lt;UNDER&gt; EXPENDITURES AND OTHER USES</b>	<18,437>	<u>\$</u>	<u>\$&lt;18,437&gt;</u>	12,955
<b>FUND BALANCE – APRIL 1, 2003</b>	<u>19,827</u>			<u>44,355</u>
<b>FUND BALANCE – MARCH 31, 2004</b>	<u>\$ 1,390</u>			<u>\$57,310</u>

See accompanying notes to financial statements

**SANDS TOWNSHIP**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS  
FOR THE YEAR ENDED MARCH 31, 2004**

	<u>Fiduciary Fund</u> <u>Cemetery</u> <u>Perpetual Care</u>
<b>NONOPERATING REVENUES</b>	
Interest income	\$ 26
<b>OPERATING TRANSFERS IN</b>	<u>50</u>
<b>NET INCOME</b>	76
<b>FUND BALANCE – APRIL 1, 2003</b>	<u>1,282</u>
<b>FUND BALANCE – MARCH 31, 2004</b>	<u>\$1,358</u>

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS  
FOR THE YEAR ENDED MARCH 31, 2004**

<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	\$ 26
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Operating transfers in	<u>50</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	76
<b>CASH AND CASH EQUIVALENTS – APRIL 1, 2003</b>	<u>3,782</u>
<b>CASH AND CASH EQUIVALENTS – MARCH 31, 2004</b>	<u>\$3,858</u>

See accompanying notes to financial statements

**SANDS TOWNSHIP**

**GENERAL FUND**

**SUPPLEMENTAL SCHEDULE OF REVENUES COMPARED TO BUDGET  
FOR THE YEAR ENDED MARCH 31, 2004**

	<u>Actual</u>	<u>Budget</u>
<b>REVENUES</b>		
Taxes		
Current tax levy	\$ 90,619	\$ 88,474
Commercial forest reserve	1,415	1,300
Swamp tax	7,469	
Penalties, interest and fees on taxes	12,138	2,000
Licenses and permits	3,319	1,500
State grants		
State revenue sharing	178,268	195,219
Contributions from local units		
Reimbursements from other local governments	67,954	52,000
Charges for services	34,720	20,000
Interest	10,428	6,000
Other miscellaneous	<u>6,859</u>	<u>1,110</u>
TOTAL GENERAL FUND REVENUES	<u>\$413,189</u>	<u>\$367,603</u>

See accompanying notes to financial statements

# SANDS TOWNSHIP

## GENERAL FUND

### SUPPLEMENTAL SCHEDULE OF EXPENDITURES COMPARED TO BUDGET FOR THE YEAR ENDED MARCH 31, 2004

	Personal Services Salaries, Wages And Benefits	Capital Outlays	Other	Total	Budget
<b>LEGISLATIVE</b>	<u>\$ 6,362</u>	<u>\$ .</u>	<u>\$ 7,593</u>	<u>\$ 13,955</u>	<u>\$ 16,600</u>
<b>GENERAL GOVERNMENT</b>					
Executive-supervisor	17,847		1265	19,112	
Elections	548		564	1,112	
Legal and accounting			5,893	5,893	
Assessor/equalization	15,480		3,498	18,978	
Clerk	17,256		3,277	20,533	
Board of review	1,483		372	1,855	
Treasurer	17,256		5,385	22,641	
Office/rec. complex	10,678		9,447	20,125	
Cemetery	<u>98</u>	<u>.</u>	<u>1,693</u>	<u>1,791</u>	<u>.</u>
TOTAL GENERAL GOVERNMENT	80,646		31,394	112,040	146,100
<b>PUBLIC SAFETY</b>					
Fire protection	11,915		4,331	16,246	
Planning and zoning	<u>4,694</u>	<u>.</u>	<u>2,450</u>	<u>7,144</u>	<u>.</u>
TOTAL PUBLIC SAFETY	16,609		6,781	23,390	30,500
<b>PUBLIC WORKS</b>					
Highways, streets, lighting			4,541	4,541	
Sanitation and well testing	<u>33,892</u>	<u>3,300</u>	<u>63,305</u>	<u>100,497</u>	<u>.</u>
TOTAL PUBLIC WORKS	33,892	3,300	67,846	105,038	107,500
<b>HEALTH AND WELFARE</b>					
Ambulance	<u>9,691</u>	<u>512</u>	<u>6,485</u>	<u>16,688</u>	<u>17,900</u>
<b>CULTURE AND RECREATION</b>					
Parks and recreation	<u>1,564</u>	<u>.</u>	<u>2,241</u>	<u>3,805</u>	<u>4,000</u>
<b>OTHER</b>					
Insurance			21,760	21,760	
FICA	11,748			11,748	
Transfers out	<u>.</u>	<u>.</u>	<u>15,812</u>	<u>15,812</u>	<u>.</u>
TOTAL OTHER	<u>11,748</u>	<u>.</u>	<u>37,572</u>	<u>49,320</u>	<u>45,003</u>
TOTAL GENERAL FUND EXPENDITURES	<u>\$160,512</u>	<u>\$3,812</u>	<u>\$159,912</u>	<u>\$324,236</u>	<u>\$367,603</u>

See accompanying notes to financial statements

# SANDS TOWNSHIP

## SPECIAL REVENUE FUNDS COMBINING BALANCE SHEET MARCH 31, 2004

	<u>Fire Fund</u>	<u>Cemetery Fund</u>	<u>Ambulance Fund</u>	<u>Library Fund</u>	<u>Road Fund</u>	<u>Total</u>
<b>ASSETS</b>						
Cash	\$56,381	\$42,742	\$ 45,049	\$	\$225,925	\$370,097
Certificates of deposit	24,076		97,859		60,724	182,659
Taxes receivable	3,637		1,819		7,275	12,731
Accounts receivable	769					769
Interfund receivables	<u>          </u>	<u>2,500</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>2,500</u>
TOTAL ASSETS	<u>\$84,863</u>	<u>\$45,242</u>	<u>\$144,727</u>	<u>\$          </u>	<u>\$293,924</u>	<u>\$568,756</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 641	\$	\$	\$	\$ 34,704	\$ 35,345
Deferred revenue	<u>3</u>	<u>          </u>	<u>2</u>	<u>          </u>	<u>5</u>	<u>10</u>
TOTAL LIABILITIES	644		2		34,709	35,355
<b>FUND BALANCES</b>	<u>84,219</u>	<u>45,242</u>	<u>144,725</u>	<u>          </u>	<u>259,215</u>	<u>533,401</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$84,863</u>	<u>\$45,242</u>	<u>\$144,727</u>	<u>\$          </u>	<u>\$293,924</u>	<u>\$568,756</u>

See accompanying notes to financial statements

# SANDS TOWNSHIP

## SPECIAL REVENUE FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES FOR THE YEAR ENDED MARCH 31, 2004

	<u>Fire Fund</u>	<u>Cemetery Fund</u>	<u>Ambulance Fund</u>	<u>Library Fund</u>	<u>Road Fund</u>	<u>Total</u>
<b>REVENUES</b>						
Current tax levy	\$39,837	\$	\$ 19,913	\$37,299	\$ 79,682	\$176,731
Delinquent taxes						
Commercial forest reserve	624		291		1,248	2,163
Interest income	1,116	353	2,579		3,980	8,028
Sale of fixed assets						
Grant						
Other	869	500				1,369
<b>TOTAL REVENUES</b>	<u>42,446</u>	<u>853</u>	<u>22,783</u>	<u>37,299</u>	<u>84,910</u>	<u>188,291</u>
<b>EXPENDITURES</b>						
Fire	17,358					17,358
Ambulance			123			123
Library				37,299		37,299
Roads					34,853	34,853
Capital outlay	3,029		185			3,214
<b>TOTAL EXPENDITURES</b>	<u>20,387</u>	<u></u>	<u>308</u>	<u>37,299</u>	<u>34,853</u>	<u>92,847</u>
<b>EXCESS OF REVENUES &lt;EXPENDITURES&gt;</b>	<u>22,059</u>	<u>853</u>	<u>22,475</u>		<u>50,057</u>	<u>95,444</u>
<b>OTHER FINANCING SOURCES &lt;USES&gt;</b>						
Operating transfers out	<4,188>	<50>				<4,238>
<b>TOTAL OTHER FINANCING SOURCES &lt;USES&gt;</b>	<u>&lt;4,188&gt;</u>	<u>&lt;50&gt;</u>	<u></u>	<u></u>	<u></u>	<u>&lt;4,238&gt;</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER &lt;UNDER&gt; EXPENDITURES AND OTHER USES</b>	<u>17,871</u>	<u>803</u>	<u>22,475</u>		<u>50,057</u>	<u>91,206</u>
<b>FUND BALANCES – APRIL 1, 2003</b>	<u>66,348</u>	<u>44,439</u>	<u>122,250</u>		<u>209,158</u>	<u>442,195</u>
<b>FUND BALANCES – MARCH 31, 2004</b>	<u>\$84,219</u>	<u>\$45,242</u>	<u>\$144,725</u>	<u>\$</u>	<u>\$259,215</u>	<u>\$533,401</u>

See accompanying notes to financial statements



**SANDS TOWNSHIP**

**GENERAL LONG-TERM DEBT GROUP OF ACCOUNTS  
STATEMENT OF GENERAL LONG-TERM DEBT  
MARCH 31, 2004**

**AMOUNT AVAILABLE AND TO BE PROVIDED  
FOR PAYMENT OF GENERAL LONG-TERM DEBT**

Amount to be provided in General Fund	<u>\$32,841</u>
TOTAL AVAILABLE AND TO BE PROVIDED	<u>\$32,841</u>

**GENERAL LONG-TERM DEBT**

Notes payable	<u>\$32,841</u>
TOTAL GENERAL LONG-TERM DEBT	<u>\$32,841</u>

See accompanying notes to financial statements

## **SANDS TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2004**

#### **NOTE A – TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Operations:** Sands Township, located in Marquette County, Michigan, was organized in 1893 and covers approximately 72 square miles. The Township operates under an elected Board of Trustees with five members. Services are provided for about 2,900 residents which include fire and ambulance protection, garbage collection, and disposal facilities for other refuse.

**Reporting Entity:** The criteria, as set forth in GASB No. 14, "The Financial Reporting Entity", for determining the various governmental entities to be included in the reporting entity's financial statement includes oversight responsibilities, scope of public service, and special financial relationships. On this basis, local school systems which provide school services for the Township, and the Marquette County Solid Waste Management Authority which provides refuse disposal services for the Township, are not included in these financial statements.

**Basis of Presentation:** The accounts of the Township are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained, consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial activities of the Township are recorded in separate funds and account groups, categorized as follows:

#### **Governmental Funds:**

**GENERAL FUND** – This fund is used to account for all financial resources except those accounted for in other funds by law or contractual agreement. All governmental services are paid out of this fund including expenditures that are provided for through special revenues. These special revenue funds reimburse the general fund for those expenditures.

**SPECIAL REVENUE FUNDS** – These funds are used to account for revenues from state and federal grants, special tax levies, and charges for services that are expended for specific purposes.

## **SANDS TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS – Continued** **MARCH 31, 2004**

#### **NOTE A – TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

##### **Governmental Funds:** - Continued

**CAPITAL PROJECTS FUNDS** – These funds are used to account for the acquisition or construction of major facilities, other than those financed by special assessment or proprietary fund activities.

##### **Fiduciary Funds:**

**TRUST AND AGENCY FUNDS** – These funds account for the assets held by a governmental unit as a trustee or agent for other governmental units. The cemetery perpetual care fund receives 10% of cemetery lot sales which is not expendable.

##### **Account Groups:**

**GENERAL FIXED ASSETS** – This account group records the expenditures of fixed assets when purchased that are used in general operations. The Township did not maintain a record of its general fixed assets prior to April 1, 1983 but has maintained a record of its fixed assets acquired subsequent to that date.

**Measurement Focus/Basis of Accounting:** Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures (expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The governmental fund types (General, Special Revenue, and Capital Projects Funds) use a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. The expendable trust and agency funds also use the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Current expenditures are generally recorded when the fund liability is incurred, if measurable. An exception to this general rule includes principal and interest on general long-term debt, which is recognized when due.

The non-expendable trust fund (Cemetery Perpetual Care) is accounted for on a cost-of-service or "capital maintenance" measurement focus, using the accrual basis of accounting.

## **SANDS TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS – Continued** **MARCH 31, 2004**

#### **NOTE A – TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**General Fixed Assets:** Only fixed assets with a cost of more than \$250 and with a useful life of more than one year are accounted for in this group. Assets which do not meet these criteria are expensed. Depreciation is not recorded. Public domain general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, are not capitalized along with other general fixed assets.

**Budgets:** The Township Board adopts budgets by functional categories as presented in the combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types after a public hearing. The legally adopted budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America. An amendment is made as soon as it becomes apparent there will be deviations from the original budget. The amended budgets of March 9, 2004 are presented in the financial statements. All annual budgets lapse at fiscal year end.

**Inventories:** The Township does not record items as inventories. Supplies are recorded as expenditures when they are purchased

**Use of Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **NOTE B – DEFERRED COMPENSATION PLAN**

The Township has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by an independent plan administrator. Employees defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death or financial hardship. The plan is accounted for as a fiduciary fund – expendable trust. The plan's assets are presented at fair market value.

## **SANDS TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS – Continued** **MARCH 31, 2004**

#### **NOTE B – DEFERRED COMPENSATION PLAN - Continued**

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Township, subject only to the claims of the Township's general creditors. Participants' rights under the plan are equal to those of general creditors of the Township in an amount equal to the fair market value of the deferred amount for each participant. The Township believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

#### **NOTE C – CASH AND INVESTMENTS**

Sands Township's deposits and investments are presented on the balance sheet under the following categories:

Cash	\$ 592,662
Certificates of deposit	635,481
Investment deferred compensation	<u>57,310</u>
	<u><b>\$1,285,453</b></u>

The above amounts are classified by GASB Statement No. 3 in the following categories:

Bank deposits (Checking accounts, savings accounts, and certificates of deposit)	\$1,227,943
Investments in Securities, mutual funds and similar vehicles	57,310
Petty cash and cash on hand	<u>200</u>
	<u><b>\$1,285,453</b></u>

Michigan Compiled Laws, Section 129.91, authorizes Sands Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment

## **SANDS TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS – Continued** **MARCH 31, 2004**

#### **NOTE C – CASH AND INVESTMENTS - Continued**

by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in certificates of deposit, interest bearing checking accounts, money market accounts, treasury bills and treasury notes, mutual funds limited to securities whose intention is to maintain a net asset value of \$1.00 per share, investment pools and state and municipal bonds. The Township's investments are in accordance with statutory authority.

Michigan law (Section 3, Act 40, PA 1932, as amended) prohibits security in the form of collateral, surety bond, or another form for the deposit of public money. The Township considers highly liquid investments with an original maturity of three months or less when acquired to be cash equivalents.

All investments are put in federally insured bank accounts subject to the FDIC and NCUA insurance limit of \$100,000 per account. The cash from all funds was maintained in a common, interest bearing checking account except for the cemetery, tax collection, and capital projects funds which had their own checking accounts. The interest in the common bank account was allocated to the Fire, Ambulance, and General Funds based upon the average month end balances throughout the year.

The carrying amount of the bank deposits was \$1,227,943 and the bank balances were \$1,249,950 at March 31, 2004. According to Statement No. 3 of the Governmental Accounting Standards Board, these deposits are classified by risk category:

Fully insured by FDIC and NCUA	\$ 868,870
Uninsured and uncollateralized	<u>381,080</u>
<b>TOTAL</b>	<b><u>\$1,249,950</u></b>

#### **NOTE D - PROPERTY TAXES**

The Township property tax is levied, due, and becomes a lien each December 1<sup>st</sup> on the basis of the taxable value of property located in the Township as of the preceding December 31<sup>st</sup>. The 2003 taxable value of Township real and personal property was \$41,564,722 on which an ad valorem tax was levied of \$90,619. The tax rate was 2.1806 mills. The state equalized value of the Township property was \$51,697,222.

## **SANDS TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS – Continued** **MARCH 31, 2004**

#### **NOTE D - PROPERTY TAXES - Continued**

Starting in 1998 and running for ten years, a 1 mill levy was authorized for fire equipment, maintenance and improvements, of which .9587 mills was levied in 2003. The total tax levied was \$39,837 and is included in the Fire Fund.

Starting in 1998 and running for ten years, a .5 mill levy was authorized for ambulance equipment, of which .4793 mills was levied in 2003. The total tax levied was \$19,913.

Starting in 1998 and running for ten years, a 2 mill levy was authorized for road repairs, of which 1.9174 mills were levied in 2003. The total tax levied was \$79,682.

Under the provisions of Michigan Compiled Laws 397.213, Sands Township contracted with Peter White Public Library for five years to receive library services. The Township agreed to provide 1 mill for the library services of which .8973 mills was levied in 2003. The total tax levied was \$37,299.

If the Township real property taxes are not collected by the Township Treasurer by March 1st of the year subsequent to levy, Marquette County will pay the Township the remaining balance owing on these taxes. The ultimate collection of personal property taxes is the responsibility of the Township. Any taxes unpaid within the sixty (60) day time period as specified by National Council on Governmental Accounting Interpretation No. 3 are considered deferred revenue. Any personal property taxes more than three (3) years delinquent are written off. The write-offs with respect to personal property taxes and the balance owing at the end of the fiscal year are as follows:

	<u>Balance</u>	<u>Write-offs</u>
General Fund	\$6	\$66
Fire Fund	\$3	\$29
Ambulance Fund	\$2	\$57
Road Fund	\$5	\$20

#### **NOTE E – OTHER RECEIVABLES**

Other receivables, primarily for ambulance and snow removal services are small in amount. The direct write-off method is used to handle uncollectible accounts.

## **SANDS TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS – Continued** **MARCH 31, 2004**

#### **NOTE F – TOTAL COLUMNS (MEMORANDUM ONLY)**

The total column on the combined statements is captioned "Memo Only" to indicate it is presented only to aid in financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data; therefore, it is not comparable to a consolidation.

#### **NOTE G – COMMITMENTS AND CONTINGENCIES**

**LITIGATION** – The Township is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a material adverse effect on the accompanying combined financial statements and accordingly, no provision for losses has been recorded.

#### **NOTE H – NOTES AND BONDS PAYABLE**

	Balance March 31, <u>2003</u>	<u>Additions</u>	<u>Payments</u>	Balance March 31, <u>2004</u>
Michigan Municipal Bond Authority Local Government Refunding Revenue Loan Program, Advance Refunding of Grp. 15, Marquette Solid Waste Bonds – Township share	<u>\$36,837</u>	<u>\$</u>	<u>\$3,996</u>	<u>\$32,841</u>
<b>TOTAL</b>	<u><u>\$36,837</u></u>	<u><u>\$</u></u>	<u><u>\$3,996</u></u>	<u><u>\$32,841</u></u>



## SANDS TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS – Continued MARCH 31, 2004

#### NOTE H – NOTES AND BONDS PAYABLE - Continued

Principal and interest payable are as follows:

<u>Original Contract Principal</u>	<u>Final Payment Dated</u>	<u>Interest Rate</u>	<u>Annual Payment</u>	<u>Principal</u>	<u>Remaining Interest on Contract</u>	<u>Total</u>
\$61,315	05/01/09	5.362%	Variable	<u>\$32,841</u>	<u>\$7,283</u>	<u>\$40,124</u>
				<u>\$32,841</u>	<u>\$7,283</u>	<u>\$40,124</u>

**Marquette County Solid Waste Management Authority Bonds:** Sands Township and most other municipalities located in Marquette County formed the Marquette County Solid Waste Management Authority on June 16, 1988. The purpose of the Authority is to acquire, construct, and establish a solid waste disposal system to be located in Marquette County. The Authority is governed by a Board of Trustees made up of members from the participating municipalities. Construction costs were financed by the Authority through the sale of bonds to the Michigan Municipal Authority. Additionally, construction cost overruns were financed by the Authority through the sale of bonds to the Michigan Municipal Bond Authority. Sands Township is responsible for the payment of \$61,315 of construction cost overruns as adjusted by the 2000 census figures. The balance is payable as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004-2005	\$ 4,370	\$2,122	\$ 6,492
2005-2006	4,745	1,864	6,609
2006-2007	5,245	1,461	6,706
2007-2008	5,619	1,049	6,668
2008-2009	6,119	618	6,737
2009-2010	<u>6,743</u>	<u>169</u>	<u>6,912</u>
	<u>\$32,841</u>	<u>\$7,283</u>	<u>\$40,124</u>

On May 22, 2003 the Marquette County Solid Waste Management Authority board agreed to absorb the May, 2003 installment of \$6,480 of the 1989 bond issue. On May 19, 2004 they also agreed to absorb the May, 2004 installment amount of \$6,492.

## **SANDS TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS – Continued** **MARCH 31, 2004**

#### **NOTE I – GENERAL FIXED ASSETS**

A summary of general fixed assets, recorded at cost, follows:

	<u>Land and Buildings</u>	<u>Equipment And Fixtures</u>	<u>Landfill Capitalization</u>	<u>Total</u>
Balance - April 1, 2003	\$882,982	\$760,033	\$96,301	\$1,739,316
Additions	<u>40,962</u>	<u>4,552</u>	<u>          </u>	<u>45,514</u>
Balance - March 31, 2004	<u>\$923,944</u>	<u>\$764,585</u>	<u>\$96,301</u>	<u>\$1,784,830</u>

#### **NOTE J – RISK MANAGEMENT**

Sands Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries, i.e. workers compensation. Commercial insurance has been purchased to cover workers compensation, property and general liability claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

#### **NOTE K – ACT 425 AGREEMENT**

On December 18, 2002 Sands Township made a conditional transfer of approximately 2,400 acres of property to Forsyth Township to enable Forsyth Township to pursue an economic development project (Sawyer International Airport) as provided by Public Act 425 of 1984. Upon expiration of this agreement after a two-year period, the property will be permanently transferred.

#### **NOTE L – NEW REPORTING STANDARD**

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in all prior years will be affected. The Township is required to implement this standard for the fiscal year ending March 31, 2005. The Township has not yet determined the full impact that adoption of GASB Statement 34 will have on the financial statements.

## **SANDS TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS – Continued** **MARCH 31, 2004**

#### **NOTE M – SUBSEQUENT EVENTS**

On June 8, 2004, Sands Township entered into a construction agreement for County Road ND. The work will be completed during 2004 at an estimated cost of \$54,750 to the Township.

# SANDS TOWNSHIP

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES ALL AGENCY FUNDS FOR THE YEAR ENDED MARCH 31, 2004

	April 1, 2003 <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	March 31, 2004 <u>Balance.</u>
<b>TAX COLLECTION FUND</b>				
<b>ASSETS</b>				
Cash	<u>\$1,017</u>	<u>\$1,057,108</u>	<u>\$1,056,740</u>	<u>\$1,385</u>
<b>LIABILITIES</b>				
Interfund payables	\$1,017	\$ 222,263	\$ 221,895	\$1,385
Due to other governmental units		829,653	829,653	
Due to others	<u>          </u>	<u>5,192</u>	<u>5,192</u>	<u>          </u>
TOTAL LIABILITIES	<u>\$1,017</u>	<u>\$1,057,108</u>	<u>\$1,056,740</u>	<u>\$1,385</u>
<b>TRUST AND AGENCY FUND</b>				
<b>ASSETS</b>				
Cash	<u>\$ 90</u>	<u>\$ 76,356</u>	<u>\$ 76,254</u>	<u>\$ 192</u>
<b>LIABILITIES</b>				
Interfund payables	\$	\$ 24,329	\$ 24,329	\$
Due to other governmental units	90	45,305	45,203	192
Due to others	<u>          </u>	<u>6,730</u>	<u>6,730</u>	<u>          </u>
TOTAL LIABILITIES	<u>\$ 90</u>	<u>\$ 76,364</u>	<u>\$ 76,262</u>	<u>\$ 192</u>

See accompanying notes to financial statements

Board of Trustees  
Sands Township  
Marquette County, Michigan

We have audited the financial statements of Sands Township, for the year ended March 31, 2004 and have issued our report thereon dated July 1, 2004. Professional standards require that we provide you with the following information related to our audit.

#### **OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS**

As stated in our engagement letter dated April 15, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Sands Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

#### **SIGNIFICANT ACCOUNTING POLICIES**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Sands Township are described in Note A to the financial statements. We noted no transactions entered into by Sands Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### **ACCOUNTING ESTIMATES**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

#### **SIGNIFICANT AUDIT ADJUSTMENTS**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those

**LETTER ON ANNUAL REPORT – Continued**  
**Page Two**

proposed by us but not recorded by Sands Township that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements.

Our audit adjustments consisted primarily of reclassification entries and year-end journal entries. These entries, individually, and in the aggregate, have a significant effect on the financial reporting process.

**DISAGREEMENTS WITH MANAGEMENT**

For the purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Sands Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Sands Township Board of Trustees management and should not be used for any other purpose.

Very truly yours,

*Cowell & LaPointe, PC*  
Certified Public Accountants

July 1, 2004

Board of Trustees  
Sands Township  
Marquette County, Michigan

## **MANAGEMENT LETTER ON ANNUAL REPORT**

In connection with the examination of the financial statements of Sands Township for the year ended March 31, 2004, we submit the following comments and recommendations:

### **BUDGETS**

The Uniform Budget and Accounting Act, PA2 of 1968, as amended, (MCL 141.421, et seq.), provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. During the year, Sands Township incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

General Fund	
Capital outlay	\$3,812
Special Revenue Funds	
Public works – roads	34,853
Health and welfare - ambulance	123
Culture and recreation - library	37,299
Capital projects	38,488

The Act also requires the budgeting of capital outlay expenditures for general, special revenue and capital projects funds. Your budgeting procedures have not identified capital outlay expenditures as a separate line item in the general fund. We suggest you separate capital outlay expenditures as a line item in the general fund.

### **CAPITAL OUTLAY**

Your present policy indicates fixed assets with a cost of more than \$250 and with a useful life of more than one year are to be capitalized. There are many supply items that fit into this category. We suggest you increase the cost to at least \$500 to minimize accounting for and depreciation of supply items.

### **GASB STATEMENT NO. 34**

The Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local

**SANDS TOWNSHIP  
MANAGEMENT LETTER**

Page Two

**GASB STATEMENT NO. 34 - Continued**

Governments, in June, 1999. The Michigan Committee on Governmental Accounting and Auditing issued Statement 7, which recommends that financial reporting follow GASB Statement 34.

GASB Statement 34 changes the basic financial statements to include management's discussion and analysis, government wide financial statements – accrual basis of accounting including infrastructure assets and infrastructure reporting. GASB Statement 34 is effective in three phases based on total annual revenues. Sands Township would be included in Phase 3, which would apply for your year ending March 31, 2005.

The Michigan Committee on Governmental Accounting and Auditing recommends that financial reporting for local governments in Michigan change from the current reporting format to the format required in GASB Statement 34. The minimum financial reporting requirement established by the Michigan Department of Treasury for local governments in Michigan will change from the current reporting format to the format required in GASB Statement 34, with the exception of the following:

1. Management's Discussion and Analysis
2. Government- wide Financial Statements – Accrual Basis  
of Accounting including Infrastructure Assets.
3. Infrastructure Reporting

The Local Audit Division has determined that omission of the 3 sections above will not result in any sanctions or a request for remediation if a local unit decides not to include the additional information. Our audit opinion may need to be modified for the departures from accounting principles generally accepted in the United States of America, if those departures are considered material to overall financial statement presentation. Based on the current information, we believe the departure would be material.

There will be additional costs associated with implementing this additional information. The current financial statement format will change to follow the format required in GASB 34, which is a minimum requirement. If you choose to follow GASB 34 in its entirety, you would need to include your infrastructure assets (those significantly reconstructed or improved in fiscal years ending after June 30, 1980 – retroactive reporting encouraged but not required), capital assets and debt in your accounting records. These items would need to be accounted for by March 31, 2004 to provide for a comparative balance sheet at March 31, 2005. The enclosed Capital Assets and Depreciation Guidance is a very helpful aid in setting up your capital assets listing. You would also need to include management's discussion and analysis as part of the audit, which involves completing a questionnaire that includes specific information. We can discuss this with you in further detail.



**SANDS TOWNSHIP  
MANAGEMENT LETTER**  
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We want to thank Township personnel for their help during the audit. If we can be of assistance in the implementation of these recommendations or any other services as they may arise, please contact us.

*Cowell & Lapante PC*  
Certified Public Accountants

July 1, 2004